

# Medicare For All: Quality, Affordable, Health Care

Tuesday, 07 February 2006

Medicare For All: Quality, Affordable, Health Care

MEDICARE FOR ALL:

QUALITY, AFFORDABLE, HEALTH CARE

February 7, 2006

America faces a health care crisis. Too many Americans are uninsured, and the number of the uninsured is increasing at an accelerating rate. No American family is more than one pink slip or one employer decision to drop coverage away from being uninsured. Health care costs are too high and are rising at double-digit rates. Our dysfunctional health care financing system makes it harder for American businesses to compete in the global economy, creates incentives to outsource jobs abroad, has slowed job growth even as the economy recovers, and has been an especially heavy burden on manufacturing.

America's failure to assure the basic human right to health care to all its citizens was one of the great public policy failures of the 20th century. Recent data emphasizes the urgency of redressing this failure. Forty-six million Americans are uninsured, and the most recent Census Bureau figures show that the number of uninsured increased by nearly one million Americans in 2005 alone.[i] Even these figures understate the problem. Over a two year period, 82 million Americans—one out of every three non-elderly Americans--will be uninsured for a significant period of time.[ii]

After a brief period of stability in the mid-90s, health care costs are rising at unacceptable rates far in excess of inflation. Health insurance premiums have risen at double-digit rates since 2000, and have increased a whopping 73% in the last five years.[iii] Health care spending reached 16% of GDP, the highest level in our nation's history.[iv]

The high level of American health care costs combined with a financing system that places the burden of paying for coverage on employers who voluntarily choose to offer health insurance puts American firms at a competitive disadvantage. As a proportion of GDP spent on health care,

America is first in the world by a large margin. By that standard, we spend 49% more than the Swiss, the next highest spending country, 88% more than the Germans, 150% more than the British, and 160% more than the Japanese, according to the latest data from the OECD.[v]  
Our extraordinary level of health spending, however, is not reflected in better health outcomes. Among the world's leading industrialized countries, the United States ranks 22nd in average life expectancy and 25th in infant mortality.[vi]

Not only are our health care costs much higher than our trading competitors, but our system forces employers to finance a much higher proportion of costs than firms abroad, because foreign systems rely much more on broad-based public financing.[vii]  
The heavy burden the health care financing system adds to labor costs in the United States also acts as a drain on hiring and provides an additional incentive for outsourcing jobs abroad.

#### The Burden of Being Uninsured:

- In any given year, 1/3 of the uninsured go without needed medical care.[viii]

- Eight million uninsured Americans fail to take medication their doctors prescribe--because they cannot afford to fill the prescription.[ix]

- Two hundred and seventy thousand children suffering from asthma never see a doctor. Three hundred and fifty thousand children with recurrent earaches never see a doctor. More than three hundred and fifty thousand children with severe sore throats never see a doctor.[x]

- 27,000 uninsured women are diagnosed with breast cancer each year. They are twice as likely as insured women not to receive medical treatment until their cancer has already spread in their bodies. As a result, they are 50% more likely to die of the disease.[xi]

- 32,000 Americans with heart disease go without life-saving and life-enhancing bypass surgery or angioplasty &ndash; because they are uninsured.[xii]

- Whether the disease is AIDS or mental illness or cancer or heart disease or diabetes, the uninsured are left out and left behind. In hospital and out, young or old, black or white, they receive less care, suffer more, and are 25% more likely to die than those who are insured.[xiii]

- Medical costs account for about half of all bankruptcies, affecting over 2 million people annually.[xiv] More than 9 million families spend more than 1/5 of their total income on medical costs.[xv]

## Characteristics of the Uninsured:

- 81% of those without insurance are employees or family members of employees. Of these uninsured workers, most are members of families with at least one person working full-time.[xvi]
- The uninsured are predominantly low and moderate income persons who cannot afford to buy coverage in the individual market. Approximately two thirds have incomes below 200% of poverty.[xvii]
- 8.3 million children are uninsured, one-fifth of the total without coverage.[xviii]
- Large numbers of people in all racial/ethnic groups are uninsured, but minorities suffer the most. One in ten non-Hispanic whites are uninsured, one in five African-Americans are uninsured, and one in three Hispanics are uninsured.[xix]

## Health Care Costs

- Excessive inflation in health care costs not only burdens the economy but is a major factor in increasing the number of the uninsured.
- After several years of low growth, health care costs are now rising very rapidly. Health insurance premiums increased 10.9 percent in 2001, 12.9% in 2002, 13.9% in 2003, 11.2% in 2004, and 9.2% in 2005. The cumulative increase over the five years was 73%, while the cumulative increase in the CPI was only 13.6% [xx]
- National health expenditures are projected to reach \$3.6 trillion in 2014, growing at an average annual rate of 7.1 percent from 2003-2014. As a share of GDP, health spending is projected to reach 18.7 percent by 2014.[xxi]
- Claims processing and other administrative functions cost the health care system \$600 billion per year &ndash; money that could be better spent on patient care.[xxii]  
America's fragmented health financing system is a major driver of these high administrative costs. In Canada, where health insurance is publicly financed and providers bill the government for all services rather than having to deal with a multiplicity of insurance companies with different rules and payment formulas, administrative costs are

only about half as high as in the United States (16.7% of total health costs in Canada vs. 31% in the United States).[xxiii]

- The administrative expense needed by the government to run the Medicare program accounts for only 3% of Medicare spending. By contrast, the amount of every premium dollar retained by private insurance companies for marketing, administration and profit is 14%.[xxiv]

- Healthcare is one of the least efficient industries in America. Settling a single transaction in health care can cost as much as \$12 to \$25, whereas banks have cut their costs to less than a penny per transaction by using modern information technology.

- According to a study conducted by the RAND Corporation, by utilizing advanced information technology and adopting electronic medical records for every patient, America could save over \$160 billion a year by reducing duplicative care, lowering health care administrative costs, and improving quality.[xxv]

#### Burden on U.S Competitiveness and Job Growth

- Government data, industry surveys, and interviews with employers indicate that many businesses remain reluctant to hire full-time employees because health insurance has become one of the fastest growing costs for companies.[xxvi]

- A recent study found that employers have reduced hiring in response to rising health insurance premiums, and that industries with higher health care costs have had slower job growth. This has been especially true for the manufacturing sector.[xxvii]

- U.S. employee benefit costs—of which health care is the largest component—for manufacturing firms are higher than most of its major competitors and the private share of overall health expenditures is much higher in the U.S. than it is for its major competitors.[xxviii]

- Ten percent of the total cost of a ton of steel manufactured in the United States is consumed by retiree health benefits alone.[xxix] Starbucks now spends more on health care than it does on coffee.[xxx]

The difference between the way health care is financed in Canada and the U.S. saves the Canadian auto industry \$4.00 an hour in worker compensation compared to the U.S. The Canadian branches of the big three automakers have released a joint letter with Canadian Auto Workers Union stating that the Canadian health care system is a “strategic advantage for Canada” and “has been an important ingredient in the success of Canada’s most important export industry.”[xxxi]

## The Medicare for All proposal

The "Medicare for All" plan will make health care coverage available to every American by expanding the Medicare program to the under 65 population. To promote competition and choice, enrollees will also have the option of choosing any of the plans offered to members of Congress, the President, and Federal employees.

Costs will be reduced by administrative savings from moving to a Medicare-style financing system, by bringing modern information technology to health care, by improving quality of care, and by rewarding health care providers based on performance, not just on the number of procedures performed. International competitiveness and job creation will be enhanced by reduced costs and by shifting some of the burden of financing from business contributions to general revenues, as well as the healthier and more productive work-force that will result from universal health insurance coverage.

To ease the transition to the new system, coverage will be implemented in phases. In the first, coverage will be extended to individuals 55-65 and to children under 20 years old. In later phases, coverage will be extended to all other Americans not already covered under Medicare.

[i]. U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage: 2004," August, 2005.

[ii]. Families USA, "One in Three: Non-elderly Americans Without Health Insurance, 2002-2003," June, 2004.

[iii] Kaiser Family Fund and Health Research and Education Trust, Employer Health Benefits 2005 Annual Survey

[iv]. CMS, Office of Actuary, "National Health Expenditures"; 2006 report.

[v] OECD, OECD Health Data 2005

[vi] Ibid.

[vii]

National Association of Manufacturers and Manufacturers Alliance, "How Structural Costs Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness"; December, 2003.

[viii]. The Henry J. Kaiser Family Foundation Commission on Medicaid and the Uninsured. June 1998.

[ix]. Ibid.

[x]. Stoddard JJ et al., 1994, "Health Insurance Status and Ambulatory Care for Children"; New England Journal of Medicine, 330(20): 1421-1425.

[xi].

Ayanian, J. Z., Kohler, B. A., Abe, T., Epstein, A. M. (1993), "The Relation Between Health Insurance Coverage and Clinical Outcomes Among Women with Breast Cancer"; New England Journal of Medicine, 329: 326-331, Data extrapolated to national level.

[xii].  
Wenneker, M. B., Weissman, J. S., Epstein, A. M. (1990), "The Association of Payer With Utilization of Cardiac Procedures in Massachusetts", Journal of the American Medical Association, 264: 1255-1260, Data extrapolated to the national population.

[xiii]. The Institute of Medicine, Care without Coverage: Too Little, Too Late, National Academy Press, 2002.

[xiv]. Himmelstein et al. "Illness And Injury As Contributors To Bankruptcy" Health Affairs. Web exclusive. Feb. 2, 2005.

[xv]. Sullivan, T.A., Warren, E., Westbrook, J. (2000) The Fragile Middle Class: Americans in Debt. Yale University Press.

[xvi]. Kaiser Family Foundation Commission on Medicaid and the Uninsured. Fact Sheet, November 2005.

[xvii]. Ibid.

[xviii]. U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2004," August, 2005.

[xix]. Ibid.

[xx]  
Kaiser Family Fund and Health Research and Education Trust, Employer  
Health Benefits 2005 Annual Survey; Bureau of Labor Statistics.

[xxi]. Center for Medicare and Medicaid Services, Office of the Actuary, "National Health Expenditure  
Projections." January 2006.

[xxii]. Woolhandler, Campbell, and Himmelstein, "Costs of Health Care Administration in the United States and  
Canada," New England Journal of Medicine, 2003, 349: 768-75.

[xxiii] Ibid.

[xxiv] CMS, Office of the Actuary, National Health Expenditures, Table 12

[xxv].  
Hillestad et al. "Can Electronic Medical Record Systems Transform  
Health Care? Potential Health Benefits, Savings, And Costs" Health Affairs. Vol. 24 No. 5; pp. 1103-1117;  
September/October 2005.

[xxvi] New York Times, August 19, 2004, p.1.

[xxvii] Sarah Reber and Laura Tyson, "Rising Health Insurance Costs Slow Job Growth and Reduce Wages and  
Job Quality," August 19, 2004.



[xxviii]

National Association of Manufacturers and Manufacturers Alliance, "How Structural Cost Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness," December, 2003.

[xxix] IndustryWeek.com, Interview with Wilbur L. Ross, Chairman and CEO of WL Ross and Co., January 7, 2005.

[xxx] Forbes "Starbucks' Schultz Bemoans Health Care Costs" September 15, 2005.

31 IndustryWeek.com, Interview with Wilbur L. Ross, Chairman and CEO of WL Ross and Co., January 7, 2005.